ties has been secured by a concern like the Columbia or East Ohio company, the municipality will have nothing to do in making rate agreements except to accede to the company's best offer, for the law will permit the company temporarily or permanently to shut down its plant and leave the city to choose between acceptance and going without the service.

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POLITICAL CONSISTENCY AND THE COST OF LIVING

The present controversy as to the causes of the increased cost of living, or, in other words, the rise of the level of general prices since 1897, brings into prominence the looseness of thinking which is characteristic of the leaders of both political parties in dealing with legislative measures of economic or financial import. It also clearly demonstrates that financial heresies and delusions, which are utilized at one time for reasons of political expediency, may return at a later period as a cause of mockery and discomfiture.

A large and prominent body of people are attributing the higher price of goods at the present time to the extraordinary increase in the production of gold during the past ten years. This contention assumes that prices of goods are regulated by a comparison of goods directly with gold coin, or with money in circulation; and in the present instance the supply of gold money or coin having undergone a remarkable increase, there is more money available to buy goods and, consequently, the purchasing power of gold has declined, or, what is equivalent, more gold is offered for goods and the value of goods as expressed in gold has risen.

Identically the same point of view was put forward by the Democratic party under the leadership of Mr. Bryan in the election of 1896. The fundamental argument of the Democratic leader at that time was that prices were a ratio resulting from the comparison of commodities with the money available for the purchase of commodities. Proceeding from this basis, he argued that the low prices then existing were due to the curtailment of the supply of money which had been brought about by the demonetization of silver, or the limitations which had been placed on the coinage of silver. The opponents of the free coinage of silver, on the other hand, asserted that the low level of prices in 1896 was not effected by the amount

of money in circulation but was the outcome of the industrial depression and stagnation which had followed the panic of 1893. The claim was further made that the causes of the panic of 1893 were (1) the tariff legislation of the same year, and (2) the lack of confidence in the ability of the government to maintain gold payments because of the silver legislation of 1890 and 1878.

Mr. Bryan, as is well known, was defeated in 1896, and the advocates of the gold standard were successful. The popular vote in 1896 had been close, however, and the leaders of the majority party did not see their way clear to legislate relative to the money question until the year 1900, when legislation was enacted providing supposedly for the permanent establishment of the gold standard. In urging the passage of this measure before Congress, and in defending it in a popular way, it was asserted by its supporters that the gold discoveries in Alaska and other localities had brought into existence a sufficiently large production of gold to make it possible to secure all the gold needed for money purposes, and to render absurd the claim that banking or financial interests could control the lawful money of the country. In support of the contention statistics were exhibited showing the increase in the *per-capita* circulation in the United States. Upon the strength of it the former supporters of the free coinage of silver were also urged successfully to assist in the establishment of the gold standard.

It is apparent, therefore, strange as it may seem, that the framers of the gold-standard law established and defended the measure on the same theory as that on which Bryan contended for the free coinage of silver. The logical consequences of the attitude of the two great parties relative to the silver movement is even more interesting, however, in its bearing upon the existing cost of living agitation. The Republican party leaders, as a result of their defense of the gold standard law of 1900, can now consistently claim that prices are the expression, quantitatively so to speak, of the relation between the amount of commodities in existence and the amount of money in circulation; and, consequently, the increased production of gold, and not the tariff, trusts, cold storage, or other factors, may logically be held responsible for the increased cost of living of the present day. For political purposes this would be a desirable point of view for the Republican party to hold at the present time, but it is also dangerous on account of the anti-trust

opinion in some sections, and the hostility towards the tariff in others. Moreover, it is an illogical and dangerous position to take on the basis of the attitude of the party toward Mr. Bryan and his free silver propaganda of 1896.

On the point of logical consistency, Mr. Bryan and the Democratic party are in an unassailable position, but, from the standpoint of practical politics, they are in a worse position than the former advocates of the gold standard. If the financial reasoning of Mr. Bryan in the campaigns of 1896 and 1900 is applied in the present discussion of the causes of high prices, it means the acceptance of the opinion that the high cost of living is due to the increased production of gold and the resultant increase in the amount of money in circulation. For campaign purposes, this would be an exceedingly unprofitable point of view for the Democratic party to reach, however, for the reason that it would absolve the tariff and the trusts from all connection with the enhanced prices of commodities, and consequently, lead to the loss of a great amount of valuable campaign material.

From the standpoint of practical politics, perhaps, logic and precedent are at the present time of no great significance; but the situation furnishes a forcible text for insisting upon careful and accurate thinking in legislating upon the complex financial and industrial problems of the present day.[1]

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[1] Since the foregoing note was put into type Mr. Bryan has reiterated his former views and has accused President Taft of inconsistency in attributing the enhancement of prices to an increase in the supply of gold and of money in circulation. In a letter to those attending the Jefferson Day banquet, held in Washington on April 13, Mr. Bryan expresses himself as follows:

"President Taft, in his Lincoln speech at New York February 12, attributes the present high prices mainly to the increase in the production of gold and the consequent enlargement of the volume of money. This unexpected indorse ment of our party's proposition in 1896, when we demanded more money as the only remedy for falling prices, is very gratifying.

"How valuable that admission would have been to us if it had been made during the campaign of that year when the Republican leaders were denying that the volume of money had any influence on prices, and asserting that it did not matter whether we had much money or little, provided it was all good.

"We may now consider the quantitative theory of money established beyond dispute. . . ."